



The Business Case for Preparedness

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International Center for Enterprise Preparedness (InterCEP) at New York University (NYU)



- World's first major academic center dedicated to private sector emergency preparedness & resilience
- Initial Focus from Activity in Support of the Federal 9/11 Commission
 - *What is corporate preparedness?*
 - Best practices & standards
 - Assessment & measurement
 - Public-private cooperation
 - *Why should businesses prepare?*
 - Probabilities and economic impacts
 - Business incentives
- This initiative is funded by the Alfred P. Sloan Foundation.

The Risks of Corporate Crisis

- High probability of a major disruptive event
- Increased vulnerability to a range of threats in a globalized environment
- High impact, especially on interdependent systems
- Opportunities to prepare using an all-hazards approach
- Strong accountability of the corporation & its management

850 natural hazard losses including

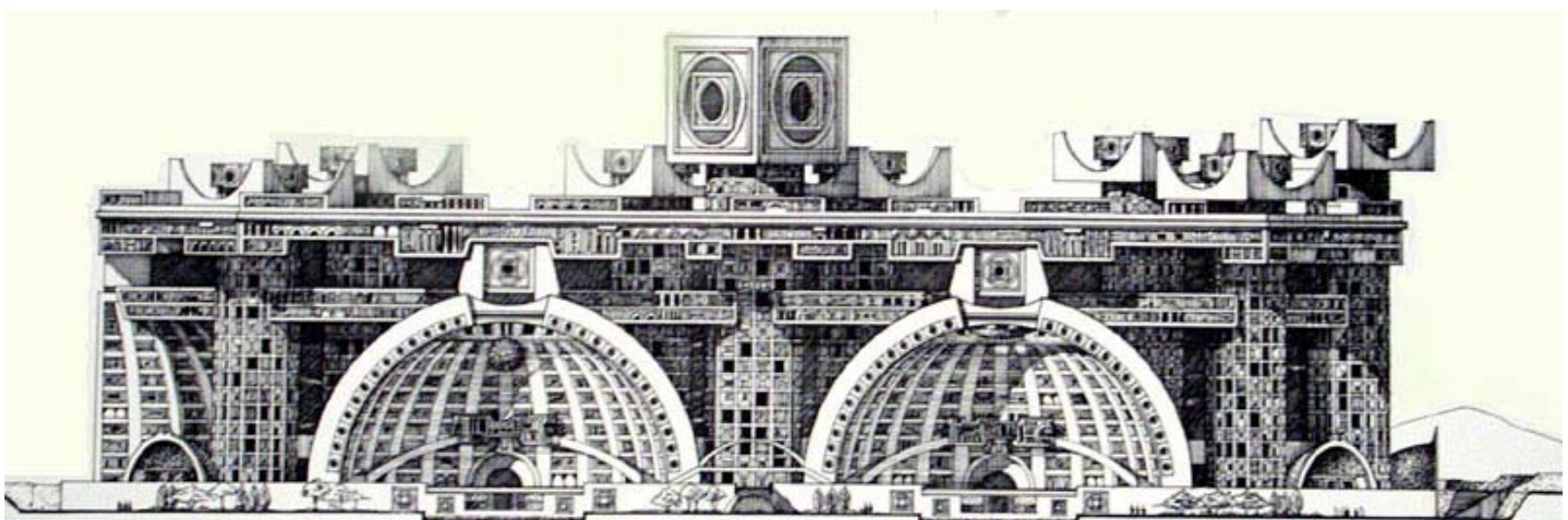
- 50 significant loss events (selection)
- 1 great natural catastrophe
- Earthquake, tsunami, volcanic eruption
- Windstorm
- Flood
- Extreme temperatures (e.g. heat wave, wildfire), mass movement (e.g. avalanche, landslide)

Great natural catastrophe 2006

No.	Date	Region	Loss event	Fatalities	Overall loss (US\$ m)	Insured losses (US\$ m)
17	27.5	Indonesia	Earthquake	5,749	3,100	36

The Rewards of Corporate Resiliency

- Assuring corporate survival
- Protecting key assets
- Reducing liabilities
- Decreasing operational expenses
- Facilitating regulatory and governance compliance
- Lowering cost of capital
- Increasing productivity and innovation
- Increasing agility in identifying and pursuing new opportunities
- Expanding the customer base and increasing customer retention
- Strengthening reputation and brand



Evolving business strategies

Data from InterCEP's National Roundtable on Acknowledging Preparedness, January 30, 2007

- Focusing on the business value that can be created through preparedness
 - *“Companies need to be forward-thinking about value rather than threats. This isn’t a zero-sum game.”*
 - *“There is a need to make the financial management process a risk-driven one because where the rubber hits the road is in the demonstration of value.”*
 - *“We should look for alternative metrics that don’t necessarily go back to the bottom line. For example, our average customer wants our store to look and feel safe, so focusing on that for us is a business driver. But because there’s no metric that ties it directly to dollars and cents, we need to look for unique ways to measure.”*

Evolving business strategies, cont.

Data from InterCEP's National Roundtable on Acknowledging Preparedness, January 30, 2007

- Developing increased awareness and involvement in preparedness at all levels of the corporation
 - *“What we need is a culture of preparedness.”*
 - *“I definitely think compliance and legal officers need to be concerned about the level of awareness.”*
 - *“Shareholders expect it, and employees want it and are willing to pull their own weight.”*
- Identifying and communicating preparedness-related best practices
 - *“We need to know more about the Israels of industry, the firms that have faced threats and are actually more prepared. How can we learn from them?”*
 - *“The research focused on business incentives for preparedness is crucial.”*

Other business incentive areas

- **Insurance**
 - Developing a clear connection between corporate preparedness and insurance policy pricing and terms
- **Rating agencies**
 - Incorporating operational risk assessment for all firms into rating agency processes
- **Public markets**
 - Evolving reporting requirements (e.g., SOX, potential parallels to Y2K disclosure)
- **Legal liability**
 - Developing affirmative defense strategies for post-event litigation
 - Promoting compliance as well as best practices

Promoting international public-private dialogue

- **The International Public-Private Preparedness Summit: *The Florence Forum* (May 3-4, 2007)**
 - Bring senior public and private sector crisis leaders together
 - Develop relationships in advance of major events
 - Identify lessons learned from recent crises
 - Determine critical needs for cooperative action
 - Take action on targeted initiatives





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